

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
DECEMBER 13, 2018**

The regular meeting of the Retirement Board of Trustees was held in the boardroom of the Retirement Office at 209 St. Ferdinand Street, and was called to order at 10:09 a.m. by Board Chairman Ms. Marsha Hanlon. Members present: Chief Richard Sullivan, Mr. Mark LeBlanc, Sgt. Neal Noel, Mr. Joseph Toups (arrived at 10:34 a.m.), and Mr. David West. Absent: Mr. Brian Bernard. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel, and Ms. Shelley Johnson – Foster & Foster Actuarial.

Mr. Kyle Drago formally called the roll.

There was a call for public comments prior to introduction of the first agenda item. There were no public comments.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of November 15, 2018, and called for a motion.

Motion by Mr. LeBlanc, seconded by Chief Sullivan to suspend the reading of, and approve the minutes of the regular meeting of November 15, 2018 as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 2, Disability, there was one application for consideration for disability retirement as follows:

1.) Ms. Suzanne Bourriague Regular Service-Connected

After reviewing the medical consultant's report, the chairman called for a motion.

Motion by Chief Sullivan, seconded by Mr. LeBlanc to approve the service-connected disability application of Ms. Suzanne Bourriague in accordance with the recommendation of the medical consultant.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Yates to present the report. Mr. Yates stated that there were no unusual items on the report and that the report was in order as presented.

Motion by Mr. West, seconded by Chief Sullivan to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman then moved to Item 5, Consultant Reports, and under 5A, Status on Pending Legal Matters called on Ms. Akers who stated that a member issue had arisen, and was communicated to her by the CPERS staff regarding a member who wanted to move from one CPERS employer to another without recognizing a revised date of hire, which the ordinances refer to as "most recent date of hire". She noted that in such a case, the employee may not have a break in service because he/she might resign on a Friday with one employer and return to work on Monday with the other employer. Ms. Akers then reviewed the relevant sections of the Retirement Ordinances and stated that the language could be considered vague enough to allow the Board to interpret or adopt a policy to remove doubt. She then read proposed policy language drafted by her, Mr. Yates, and Mr. Smith which would allow a member of CPERS to move from one employer to another without a break in service and without a new hire date, provided the member leaves the entire amount of employee retirement contributions on deposit following termination of employment with the first employer, and provided the member's date of hire with the second employer is within one week of the employment termination date with the first employer. Mr. Williams noted that BREC's payroll periods are offset by one week with those of the City-Parish, and the proposed policy

would allow for that difference. Mr. West stated that the new City-Parish payroll system currently would not accept hire dates other than the first day of a payroll period. Ms. Hanlon stated that she was struggling with the one week allowance because if a member leaves City-Parish employment for even a day and returns even to the same employer, that member automatically falls under the post September 2015 rules. Mr. LeBlanc noted that when leaving an employer, there would be a resignation date for the termination of employment. Mr. Williams stated that from the HR side, there would be a resignation, but there may not be a break in service from a retirement system membership standpoint. Mr. Yates stated that this issue could be a deciding factor for a member desiring to change to another CPERS employer, because it would determine whether that member falls under the old rules or the new rules. Ms. Hanlon stated that the Board was trying to lower the System's actuarial cost, and when a member leaves, they must make a hard decision, and this language was intended to be the most recent date of hire. She reiterated that the proposed policy would not help the member who resigns and immediately returns to work for the same employer and would fall under the new rules. Mr. LeBlanc stated that he believed a termination date and subsequent date of hire would have to be viewed as the most recent date of hire, which would mean the member would be subject to the new rules. Mr. LeBlanc asked about any legal exposure if the Board took a firm policy on the new date of hire. Ms. Akers stated that there would be no legal exposure, but that it might be a good idea to delineate that if there was a termination date, the new rules would be applied. Ms. Akers recommended a motion from the Board in order to specify the terms under which the most recent date of hire would be applied.

Motion by Mr. LeBlanc, seconded by Sgt. Noel to apply a literal interpretation of the Retirement Ordinance language regarding the most recent date of hire as being applied when there is a termination of employment with any CPERS employer and a subsequent return to employment with the same or another CPERS employer.

No discussion and no objections.

Motion passed by those members present.

Under Item 6, Committee Reports, there were no reports to be given.

Moving to Item 7, Staff Reports, the chairman noted that under Item 7C there were invoices from the Law Offices of Akers & Wisbar, LLC, which Mr. Smith verified as being in order as presented.

Motion by Mr. LeBlanc, seconded by Ms. Hanlon to approve payment for the charges to the Law Offices of Akers & Wisbar, LLC as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7E, there was also an invoice from the actuarial firm of Foster & Foster Actuarial related to past services for the calculation of actuarial transfers. Mr. Yates stated that the charges represented services that were not billed when done from both 2017 and 2018. The chairman asked Ms. Johnson to make sure there was a system in place that would assure CPERS would get billed in a timely manner in the future.

Motion by Mr. LeBlanc, seconded by Mr. West to approve payment for the charges to Foster & Foster Actuarial as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7F, there were no investment manager invoices for the Board's review.

Mr. Toups arrived at 7:34 a.m.

Under Item 7G, Cash Activity Report, Mr. Drago presented the report, as well as the budget summary, and noted that November was a typical month for cash flow.

The next item on the agenda was Item 8, Unfinished Business, and under Item 8A, Consideration of a Cost Study by Foster & Foster Actuarial in Relation to the Effect on the PGT of a Police Pay Increase, the chairman stated that at the most recent Metro Council meeting, it was noted that a study showed that the BRPD was behind in pay approximately 29 percent compared to other law enforcement entities. She noted that there were 117 transferred police members who had not yet entered DROP, and for whom a significant pay increase would impact the funding of the PGT. She stated that the Board was looking for a factor from 1 percent to 29 percent that could allow the cost to the PGT to be assessed. Ms. Shelley Johnson stated that the cost could be computed, but noted that the PGT annual funding requirements are never met, so it would not be as though the City would be immediately saddled with additional costs. She wondered if another approach could be to look at the impact to the System to meet the benefit payments. Ms. Hanlon stated that she was more interested in the cost in terms of the unfunded accrued liability and funding status. She stated that both methods would be good to have. Ms. Johnson suggested running two scenarios, using perhaps the highest and lowest possible pay increase, from which the City could interpolate between the results to estimate costs for other percentage pay increases. It was noted that a pay increase would likely delay some members from entering DROP in an effort to get more of the increase in their final average compensation.

Ms. Johnson stated that a new actuarial standard would require them to disclose the level of risk for a plan not being able to meet the funding requirement for 2019. She noted that the discount rate being used for the PGT was the same as that of CPERS, and that with a new investment consultant coming onboard, it might be a good time to revisit the discount rate for the PGT. The normal order of things would be to have the Board adopt a revised discount rate recommended by the actuary, and that rate would be used for the police pay raise actuarial study, but time limits may alter that order. Mr. Yates stated that AndCo should be the firm recommending the expected rates of return for the PGT, since they do an economic and financial market study each year. Ms. Johnson suggested including a forecasted investment return from AndCo as part of authorizing the study. It was noted that the current actuarial contract allows for additional services, but that authorizing the expenditure of funds would need a motion from the Board.

Motion by Mr. LeBlanc, seconded by Mr. West to authorize Foster & Foster to proceed with a study to assess the effect on the PGT of a police pay raise (5% and 29% effective January 1, 2020), and to consult with AndCo regarding the proper discount rate to use for PGT investments.

No discussion and no objections.

Motion passed by those members present.

Moving to Item 9, New Business, the chairman introduced Item 9A, Election of Board Chairman, Vice-Chairman and Committee Appointments for Calendar Year 2019. Mr. LeBlanc nominated Ms. Marsha Hanlon for Chairman. There were no other nominations, therefore Ms. Hanlon was elected by acclamation. For Vice-Chairman, Chief Sullivan nominated Mr. LeBlanc. There were no other nominations, therefore Mr. LeBlanc was elected by acclamation. Regarding committee appointments, it was decided to leave committee appointments as they were.

The chairman then introduced Item 9B, Approval of 2019 Regular Board Meeting Schedule, and noted that one Board member was required to attend Personnel Board meetings, which at times could conflict with Retirement Board meetings. Discussion continued regarding the pattern of Personnel Board meeting dates. It was noted that if conflicts are known in advance, the Retirement Board could be flexible with meeting dates and times.

Motion by Mr. West, seconded by Mr. Leblanc to adopt the Retirement Board meeting schedule as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 10, Administrative Matters, there was one item under Item 10A, Discussion of Retirement Comments from the Metro Council Meeting of December 11, 2018, and Mr. West was recognized for his comments. Mr. West stated that he was concerned with some comments that at least one Metro Council member had made regarding how expensive the pension system was, and that a study might be needed to look at alternative ways to structure the system. Mr. West further stated that after talking to some Board members, he felt more at ease that drastic changes were not currently feasible. Ms. Hanlon stated that Councilman Hudson had expressed an interest in looking at the possibility of shutting down the current defined benefit plan and initiating a defined contribution plan. She stated that a defined contribution plan would put the City at a huge disadvantage for recruiting and retaining employees such as uniformed employees. She noted that the City had made changes in 2015 that should make a positive impact on funding in the coming years. She stated that a group called Management Partners would be reviewing many aspects of City-Parish operations, but would make recommendations only for areas in which they believe they can impact savings. It was noted that LASERS had recently tried to get a hybrid retirement plan passed, was that was rejected at the last legislative session. Mr. LeBlanc stated that this issue was discussed at LAPERS, and that unlike in years past, the dominant trend now was for governments to place emphasis on proper funding of retirement systems. Ms. Hanlon stated that in 2015 a consultant had recommended a hybrid plan, but could not site similar examples of a plan in which the hybrid-type structure was working well. In answer to a question from Mr. West, Ms. Akers stated that in CPERS, unlike state and statewide retirement systems, the retirement benefits become a property right of the member at date of hire. State and statewide systems' members must be vested before the benefits are considered a property right.

The chairman then continued to Item 11, Police Guarantee Trust Matters, and under 11A, PGT Benefits Report, Mr. Yates stated that there was only one item on the report for approval this month, and that it was in order a presented.

Motion by Mr. LeBlanc, seconded by Chief Sullivan to approve the PGT Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

There were no matters under Item 11C, Consultants' Reports.

There were no investment manager invoices under Item 11D.1 for the Board’s review.

Under Item 11D.2 there were no items to address.

Under Item 11D.3, PGT Cash Activity Report, Mr. Drago presented the report as well as the budget summary, and stated that it was in order.

Under Items 11E New Business, and 11F Unfinished Business, and 11G, there were no items to address.

Seeing no further items on the agenda, the chairman called for a motion to adjourn.

Motion by Sgt. Noel, seconded by Mr. LeBlanc to adjourn at 11:05 a.m.

No discussion and no objections.

Motion passed by those members present.

MARSHA HANLON
CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR